

Annuities and Senior Citizens

What you need to know before you buy.

Senior Citizens Should Be Aware Of Deceptive Sales Practices When Purchasing Annuities

Annuity sales to senior citizens have significantly increased in recent years. However, as annuity sales have risen, so has a sense of confusion among consumers. This may be due,

in part, to questionable or deceptive sales practices employed by companies and agents looking to take advantage of uninformed consumers. It is important, when considering whether or not to buy an annuity, to take the necessary precautions in order to make an informed decision that is best for you.



Adam W. Hamm
ND Insurance Commissioner

This guide is designed to provide an overview of annuities and considerations that should be taken before purchasing one.

Please pay particular attention to the information specific to deceptive sales practices. Seniors are sometimes susceptible to these types of practices and the Department is committed to doing all it can to make sure that seniors are not harmed by unscrupulous salespeople.

If you have any questions regarding the information presented here, please call the State Health Insurance Counseling (SHIC) Program at 1-888-575-6611.



A stylized, handwritten signature of Adam W. Hamm in blue ink.

Adam W. Hamm
Insurance Commissioner

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Annuities and Senior Citizens— *Frequently Asked Questions*

What is an Annuity?

An annuity is a contract in which an insurance company makes a series of income payments at regular intervals in return for a premium or premiums you have paid. Annuities are most often bought for future retirement income, and can pay an income that can be guaranteed to last as long as you live.

What are the Different Kinds of Annuities?

There are several types of annuities, all of which carry varying levels of risk and guarantees. To get the most out of an annuity, it is important to know the different options available to you, as well as the benefits each type provides.

- **Single Premium Annuity:** An annuity in which you pay the insurance company only one premium payment.
- **Multiple Premium Annuity:** An annuity in which you pay the insurance company more than one premium payment.
- **Immediate Annuity:** An annuity in which you begin to receive income payments no later than one payment

period after you pay the premium.

- **Deferred Annuity:** An annuity in which you begin to receive income payments some years later.
- **Fixed Annuity:** An annuity in which your premium, less any applicable charges, earns interest at fixed interest rates set by the insurance company.
- **Variable Annuity:** An annuity in which the insurance company invests your premium, less any applicable charges, into a separate account based upon the risk you want to take. The money can be invested in stocks, bonds or other investments. The value of your annuity is based on the performance of the separate account. If the separate account does not do well, you may lose some or all of your investment.
- **Equity-Indexed Annuity:** A variation of a fixed annuity in which the interest rate is based on an outside index, such as the S&P 500 index. The annuity pays a guaranteed rate of interest, but it may be higher if the index increases.

Is an Annuity Right for You?

To find out if an annuity is right for you, consider what your financial goals are for the future. Analyze the amount of money you are willing to

pay into an annuity, as well as how much monetary risk you are willing to take. An annuity may not be an appropriate vehicle to reach short-term financial goals. When determining whether an annuity would benefit you, ask yourself the following questions:

- How much retirement income will I need in addition to what I will receive from Social Security and my pension plan?
- Will I need supplementary income for others in addition to myself?
- How long do I plan keeping the annuity?
- When do I plan on needing income payments?
- Will the annuity allow me to gain access to the money when I need it?
- Do I want a fixed annuity with a guaranteed interest rate and little or no risk of losing the principal?
- Do I want a variable annuity with the potential for higher earnings that aren't guaranteed and the possibility that I may lose principal?
- Or, am I somewhere in between and willing to take some risks with an equity-indexed annuity?

Understand the Product.

When it comes to annuities, inappropriate sales practices can occur in many ways and come from a variety of sources. Anyone can be a victim, but senior citizens remain a prime target. Here are a few ways to protect yourself:

- Always review the contract before you decide to buy an annuity. Terms and conditions of each annuity contract will vary.
- You should understand the long-term nature of your purchase. Annuities are not intended to be kept for only a short period of time.
- Compare information for similar contracts from several companies. Comparing products may help you make a better decision.
- Ask your agent and/or the company for an explanation of anything you don't understand.
- Remember that the quality of service you can expect from the company and the agent should be an important factor in your decision.
- Verify that the company and agent are licensed. In order to sell annuities in your state, companies and agents must be licensed. To confirm the credibility of a company or agent, contact your state insurance

department.

- Check the company's credit rating. Insurers have their "creditworthiness" rated by independent agencies such as A.M. Best Co., Standard & Poor's, or Moody's Investors Services. A high rating is a sign of a company's strong financial stability. You can check a company's rating online or at your local library.
- The proof is in the paperwork. As you complete your research and decide to purchase a particular policy, it's important to keep detailed records. Get all rate quotes and key information in writing. Once you've made a purchase, keep a copy of all paperwork you complete and sign, as well as any correspondence, special offers and payment receipts.

Avoid Being Fooled.

Watch for the following red flags, which serve as warnings of possible deceptive sales practices:

- High-pressure sales pitch. If a particular group or agent has contacted you repeatedly, offering a "limited-time" deal that makes you uncomfortable or aggravated, trust your instincts and steer clear.
- Quick-change tactics. Skilled scam

artists will try to prey on your "time fears". They may try to convince you to change coverage quickly without giving you the opportunity to do adequate research.

- Unwilling or unable to prove credibility. A licensed agent will be more than willing to show adequate credentials.
- Remember, if it seems too good to be true, it probably is!

If you suspect you've been a victim of deceptive sales practices, or you have a specific question and can't get the answers you need from an agent or the insurance company, contact the North Dakota Insurance Department at the information below.

**If you have any
questions regarding
annuities, please call the
State Health Insurance
Counseling (SHIC)
Program toll-free at
1.888.575.6611.**

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